Kentucky
Agricultural Experiment Station

University of Kentucky

KENTUCKY LIVESTOCK AUCTION SALES ORGANIZATIONS

BULLETIN NO. 270

Lexington, Ky.

April, 1926.

(211)

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BULLETIN NO. 270

Kentucky Livestock Auction Sales Organizations

By E. C. JOHNSON

INTRODUCTION

The selling of market livestock thru local auction sales organizations is of recent origin in Central Kentucky. Of the organizations in operation at the time this study was made, the first to be organized was an organization at Lexington, which started business in May, 1922. In the spring of 1923 three additional sales companies were organized. The success of these early sales was an incentive for further organization work with the result that during the summer of 1924, ten sales organizations were holding livestock auction sales. In 1925 the number had increased to 13 organizations which were conducting sales of cattle, calves, hogs, sheep and lambs, in 10 towns in central Kentucky.

These sales are confined to the central bluegrass region and have not been developed in other sections of the State. Fig. 1 shows the location of the towns where regular sales were held in 1925 and the shaded area approximately the territory which supplied the livestock marketed at the sales. Thirty-eight counties in North Central Kentucky comprise the most important livestock producing area of the State. According to the 1920 census, this region, which includes 26 per cent of the land area in farms, had 34 per cent of the cattle, 31 per cent of the hogs and 64 per cent of the sheep on farms in the State of Kentucky. Sheep production is especially important in this area and the sale of fat lambs is an important factor in the success of the sales organizations.

A survey was made of ten sales organizations and records obtained of their business. These records furnished the data for

this bulletin. The ten organizations, during the months of January to September (inclusive), 1925, held 339 auction sales,

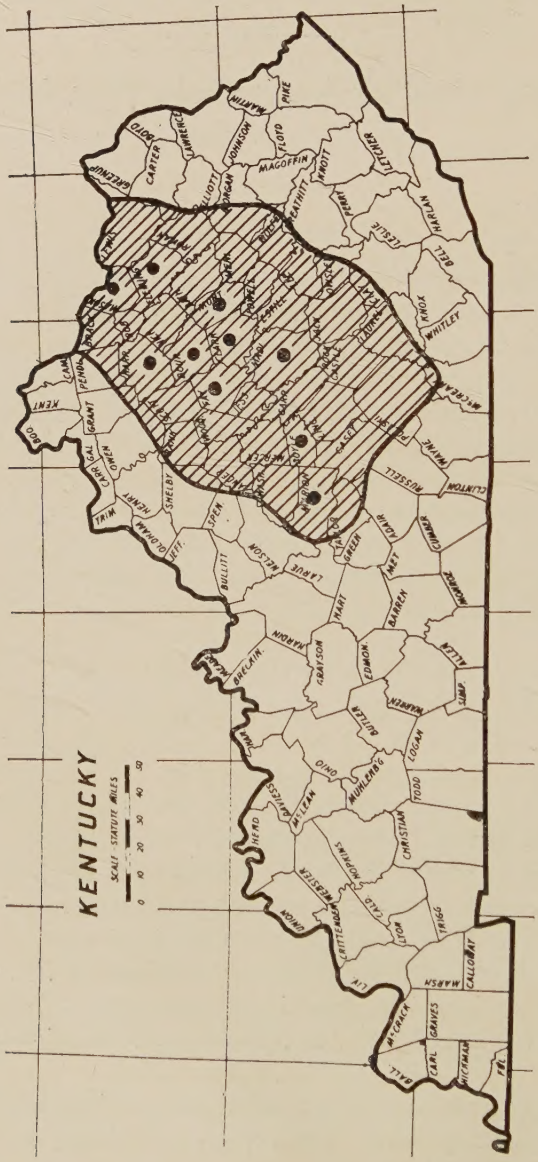

FIG. 1. TOWNS HAVING LIVESTOCK SALES AND THE AREA SERVED.

and the total number of livestock sold at these sales was 459,934 head, of which 259,156 were sheep and lambs, 102,568 hogs and 98,210 cattle and calves. The total value of the livestock sold was $7,060,493.16. These figures indicate that the local sales organizations are an important factor in the marketing of livestock in Central Kentucky.

TYPE OF ORGANIZATION

The popular name "Cooperative Livestock Markets," which has been applied to the sales organizations is misleading. Strictly speaking only two out of the thirteen organizations could be called cooperative. Of the ten organizations studied 2 may be classed as cooperative, 1 as a partnership, 1 as an individual enterprise, 5 as private corporations and 1 a joint account between a cooperative organization and a private livestock firm.

Table 1 gives figures regarding the capitalization, amount of stock sold, par value of stock and number of stockholders, for five representative sales companies which were incorporated. Of these, two are cooperative and three are non-cooperative stock companies.

TABLE 1.
Financial Organization of Sales Companies.

Organization		Authorized Capital Stock	Par Value of Stock	Stock Sold	No. of Stockholders
Cooperative	1	$15,000	$10	$9,430	100
	2	30,000	10	16,000	130
Ordinary Corporation	1	10,000	100	5,300	11
	2	30,000	50	30,000	165
	3	30,000	100	17,100	125

The distinguishing feature between the cooperative and private corporations is that in the cooperative each stockholder has one vote regardless of amount of stock owned and in the private corporation the stockholder has one vote for each share of stock

owned. Also, the cooperative limits the dividends on capital stock to a certain per cent and prorates additional earnings among all persons consigning livestock to the sale on the basis of the total commissions paid, while the private corporation pays dividends only on the capital stock. Since the organizations are new and most of them have debts, the net earnings usually have gone to pay principal on debts and only in a few cases have dividends on stock been paid.

The number of stockholders in the organizations studied ranges from 5 to 165. Where the number is small the stockholders are usually livestock dealers who organized and operate the sales, and where the number is large the stockholders are farmers and other business men of the community.

Since the sales organizations must maintain stockyards, the fixed capital requirements are fairly large. Funds necessary for fixed capital in incorporated organizations are obtained by sale of shares of stock and loans secured by mortgage on yards and equipment. Only a relatively small fund is required for operating capital. This is due to the fact that buyers ordinarily pay cash for livestock and settlement with farmers is not made until a day or two following the sale.

VOLUME OF BUSINESS

Volume of business is an important factor in the success of a livestock sales organization. To be successful an organization must have sufficient volume for economical operation and to attract buyers to the sale.

As previously mentioned, from January 1, 1925, to October 1, 1925, the ten sales organizations sold 259,156 head of sheep and lambs, 102,568 of hogs, and 98,210 cattle and calves, for the total sum of $7,060,493.16. In order to present statistics on a year's business of the organizations it was necessary to use the figures of only 8 organizations, as the records of one company were incomplete, except for 1925, and the other started business in the spring of 1925 and had not completed a year of operation. Table 2 gives figures on the volume of business of 8 organizations for the year—October 1, 1924 to October 1, 1925.

TABLE 2.

Volume of Business—8 Livestock Sales Organizations October 1, 1924, to October 1, 1925.

Month	No. of Sales	Number of Head			Total Gross Sales Dollars
		Sheep and Lambs	Hogs	Cattle and Calves	
October	36	11,647	23,453	10,805	$682,341.92
November	31	3,235	19,739	8,579	480,174.82
December	27	1,222	12,582	5,482	307,604.64
January	25	1,269	5,382	3,154	172,136.66
February	20	641	4,275	4,415	173,736.46
March	21	968	5,739	5,591	227,009.91
April	28	2,238	10,078	8,273	414,694.74
May	40	13,439	14,211	10,221	616,651.07
June	33	53,498	10,763	11,366	1,238,272.30
July	38	74,155	10,466	13,484	1,367,479.48
August	34	55,902	13,852	13,236	1,257,005.34
September	34	25,811	13,311	10,760	799,084.27
Total	367	244,025	143,851	105,366	$7,736,191.61
Ave. per Organization	45.9	30,503	17,981	13,171	967,023.95
Ave. per sale..		665	392	287	21,079.54

There is a marked difference in the number of livestock handled by the various sales organizations. In case of sheep and lambs, for the period, October 1, 1924, to October 1, 1925, there was a range from 9,392 head sold by one organization to 60,039 head sold by another. In hogs the range was from 6,680 head to 41,121 head, and for cattle and calves the range was from 5,244 head to 30,898 head. The value of all livestock sold ranged from $351,036.87 to $1,714,613.29. The average for the eight organizations as indicated in Table 2, was 30,503 sheep and lambs, 17,981 hogs, 13,171 cattle and calves, with a total sale value averaging $967,023.95.

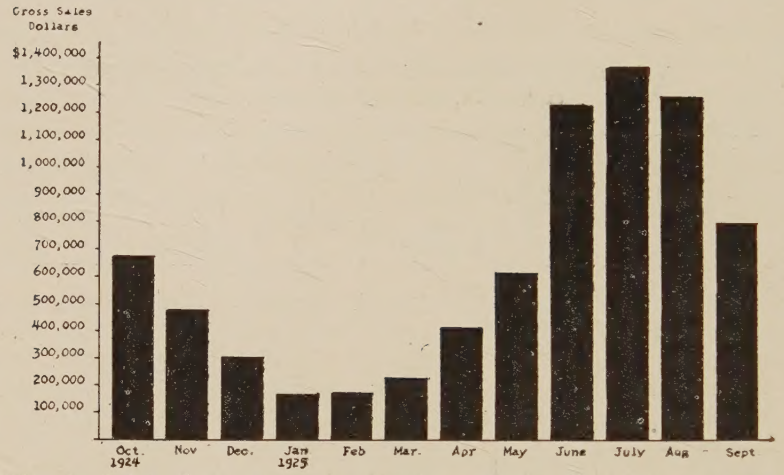

Fig. 2. Total Gross Sales of Livestock by Eight Livestock Sales Organizations for Months of October, 1924 to September, 1925.

Fig. 2 illustrates graphically the total gross sales of 8 livestock sales organizations for a period of 12 months. The gross sales are highest in the months of June, July and August, due to the large number of lambs marketed during those months. The total number of head of livestock sold thru the organizations is illustrated in Fig. 3. Of the total head of livestock sold during

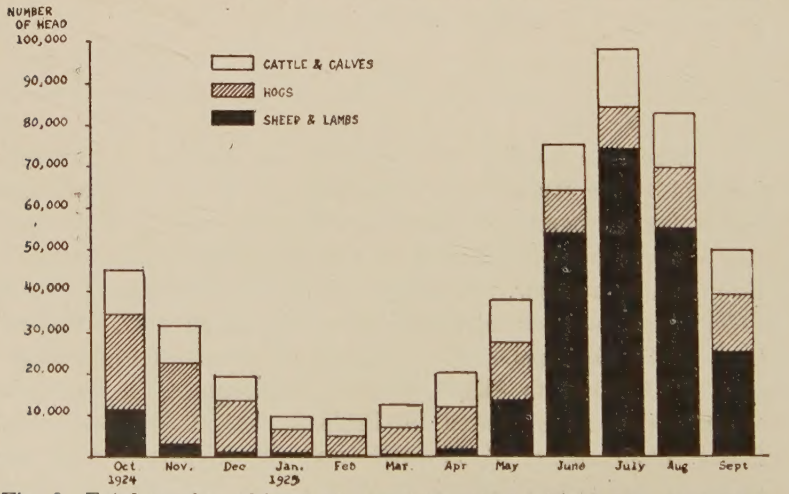

Fig. 3. Total number of head of Livestock sold by Eight Livestock Sales Organizations for Months of October, 1924 to September, 1925.

the period, October 1, 1924 to October 1, 1925, sheep and lambs constituted 49.5 per cent, hogs 29.2 per cent and cattle and calves 21.3 per cent.

A few head of horses and mules are sold at special auction sales, but with the exception of one organization these sales are not important. One organization, however, plans to hold a horse and mule sale every two weeks during the months of September to April, inclusive. During the period, October 1, 1924, to October 1, 1925, this organization held 15 such sales and sold 1,946 head of horses and mules, the gross sales being $124,246.14. This is an average of 129 head per sale. Two other organizations reported horse and mule sales. One held two sales and sold 148 head; the other, three sales and sold 230 head. Interest in horse and mule sales seems to be increasing and it is probable that there will be further developments in the sale of horses and mules, especially if market conditions improve.

TABLE 3.

Comparison of Receipts of Livestock for Year, October 1, 1923, to October 1, 1924, and year, October 1, 1924, to October 1, 1925. Average of all Sales for the Year. Three Organizations.

	Organization 1			Organization 2			Organization 3		
	Sheep Lambs	Hogs	Cattle Calves	Sheep Lambs	Hogs	Cattle Calves	Sheep Lambs	Hogs	Cattle Calves
Oct. 1, 1923 to Oct. 1, 1924	843	568	187	438	383	162	776	697	272
Oct. 1, 1924 to Oct. 1, 1925	1,153	478	281	534	232	227	820	621	324
Increase or decrease Head	+310	—90	+94	+96	—151	+65	+44	—76	+52
Per cent increase or decrease	+36.7	—15.8	+50.2	+21.9	—39.4	+40.1	+5.6	—10.9	+19.1

It is difficult to make comparisons regarding the increase or decrease in volume of business for different periods. Figures, however, were obtained from three organizations for volume of business for two years. Table 3 gives the average number of head received per sale by these organizations for the years, October 1, 1923, to October 1, 1924, and October 1, 1924, to October 1, 1925. For sheep and lambs the three organizations showed increases of 36.7%, 21.9% and 5.6%, respectively. There was a decrease in the number of hogs of 15.8%, 39.4% and 10.9%. This decrease can be explained largely by the actual decrease in hogs per farm during the second year, which caused a reduction in hogs marketed. Cattle and calves showed increases of 50.2%, 40.1% and 19.1%.

These figures tend to indicate that the organizations are increasing in importance as livestock markets. This is especially true when one considers that during the second year there was increased competition due to the organization of other sales companies.

Seasonal Movement of Livestock to Sales

To determine the seasonal movement of livestock an analysis was made of the receipts of six organizations which operated during each month of the year. A number of organizations do not operate during the winter months and the figures are more representative of the seasonal movement of livestock from farms, if these organizations are omitted from the analysis. Table No. 4 gives figures of the receipts of livestock at six sales organizations for 12 months beginning October, 1924. The seasonal movement of livestock is shown graphically in Fig. 4. It should be borne in mind that these are figures for livestock sales organizations and may not be representative for the territory as a whole, altho in a general way they show the movement of livestock from the farm to the market. Also, these figures represent only one period, October 1, 1924, to October 1, 1925. This period was used because the most complete records were obtained for that period.

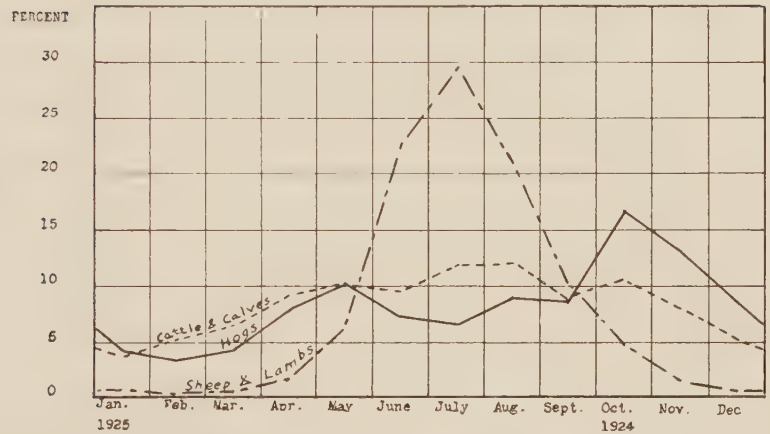

Fig. 4. Monthly Receipts of Livestock at Six Sales Organizations, Expressed in Per Cent of Total for Twelve Months.

TABLE 4.

Seasonal Movement of Livestock to Market—Receipts at Six Livestock Sales Organizations.

Month	Sheep and Lambs		Hogs		Cattle and Calves		Total	
	Head	Per Ct.	Head	Per Ct.	Head	Per Ct.	Head	Per Ct.
Jan., 1925	1,269	.60	5,382	4.36	3,154	3.60	9,805	2.33
Feb.	641	.30	4,275	3.46	4,415	5.03	9,331	2.21
Mar.	968	.46	5,739	4.66	5,591	6.37	12,298	2.92
Apr.	3,206	1.52	9,758	7.92	7,896	9.02	20,860	4.95
May	13,171	6.26	12,443	10.09	8,922	10.17	34,536	8.20
June	48,586	23.09	8,620	6.99	8,647	9.86	65,853	15.63
July	62,098	29.51	8,153	6.62	10,079	11.49	80,330	19.07
Aug.	44,277	21.04	10,990	8.93	10,215	11.65	65,482	15.54
Sept.	21,504	10.23	10,665	8.66	7,605	8.67	39,774	9.44
Oct., 1924	10,317	4.91	20,503	16.64	9,331	10.63	40,151	9.53
Nov.	3,133	1.49	16,148	13.11	6,978	7.95	26,259	6.23
Dec.	1,222	.59	10,544	8.56	4,874	5.56	16,640	3.95
Total	210,392	100.00	123,220	100.00	87,707	100.00	421,319	100.00

Table 4 shows that 73 per cent of the sheep and lambs are marketed during June, July and August. This is due to the fact that the spring lambs are ready for the market at that time, and these lambs constitute between 80% and 90% of all sheep and lambs sold thru the sales.

The peak of the hog movement is in October and November, about 30% of the hogs being marketed during these two months. The reason for this is that the pigs farrowed in the spring are ready for market in the fall. There is also a fairly large movement of hogs in May when 10 per cent reach the market. This can be explained by the fact that pigs born in the fall are ready for the market at that time.

Fig. 4 indicates that the marketing of cattle and calves is more uniform thruout the whole year. Fig. 5, however, gives a

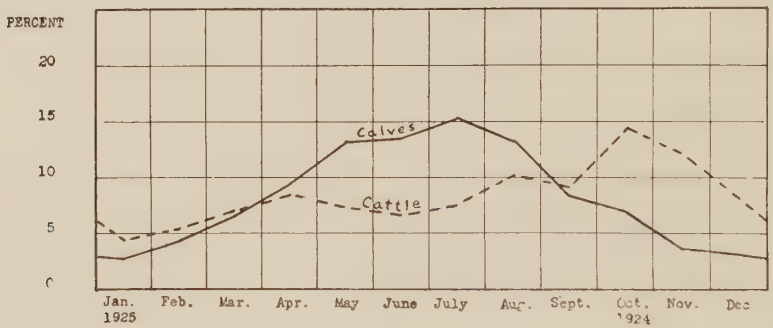

Fig. 5. Monthly Receipts of Veal Calves and Other Cattle, Expressed in Per Cent of Total for Twelve Months.

more accurate picture of the situation. Not all organizations kept records separately for both veal calves and other cattle, but a number did, and the ratio of marketings by months for these organizations was applied to the figures in Table 4. The percentages thus obtained are shown in Fig. 5. May, June, July and August are the important months for the marketing of veal calves. Other cattle move to market more uniformly each month of the year with the heaviest movement during October and November. About 26 per cent are marketed during those two months.

It should be remembered that the figures mentioned above are for one year only. The relative movement of livestock by months may vary to some extent from year to year, due to changes in weather, crop and market conditions.

YARDS AND EQUIPMENT

Each sales organization operates stockyards and the auction sales are held at the yards. In six of ten cases the company or person operating the sales also owns the yard. In one case where a cooperative organization operates a joint account with a company owning the yards, the company receives 25% of the commission on sheep and hogs, and 30% of all other commission. In three other organizations, the owners of the yards are stockholders or partners in the sales organization, and receive a certain proportion of the receipts as yardage fees. In one of these cases, the partners owning the yards get 5 cents on hogs and sheep, and 10 cents on cattle and calves as a yardage fee.

Stockyards include pens for holding the livestock, grading pens, unloading platforms, chutes for loading livestock on railroad cars and a sales pavilion. There is also an office and at least two scales for weighing livestock. Yards are supplied with running water and so arranged that livestock can be fed conveniently whenever necessary.

Only approximate figures could be obtained on the cost of the yards and equipment. The cost of the yards, equipment and real estate ranges from $5,500 to $45,000, with an average investment per organization of $27,000.

The capacity must be large enough to accommodate the peak load of livestock, which is during the months of June, July and August. In 1925 the number of head per sale was greatest in July, when the average for ten organizations was 1,787 sheep and lambs, 258 hogs and 350 cattle and calves per sale day. There is a great range, however, in the sales during July for the various organizations. The largest sale in number of head of livestock reported for all organizations was 4,823 sheep and lambs, 331 hogs and 221 cattle and calves. The size of the yard needed by an organization depends not only upon the total head of live-

stock, but also upon the relative number of head of various classes of livestock. Cattle require from 30 to 40 square feet, sheep 5 to 8 square feet and hogs 8 to 12 square feet of pen space per head.

One of the most complete yards in the territory has 62 pens 16x32 feet for holding livestock and in addition the necessary grading pens, driveways and sales pavilion.

METHOD OF OPERATION

Each sales organization holds an auction sale for livestock one day every week during the spring, summer and fall months. A number hold weekly sales the entire year, but others hold sales only every two weeks or no sales during the winter months. Eight organizations holding sales every month of the year averaged 46 sales per organization for the year.

1. *Receiving.* Farmers consigning stock to the sale deliver the stock at the yards, usually during the morning of the sale day. The livestock is unloaded at the receiving platforms and driven into the receiving pens, there being separate receiving pens for cattle and calves, sheep and hogs. While the livestock is in the receiving pen the number of head are counted and a statement is made out giving the name and address of the consignor and the number of head consigned by him. This statement follows the livestock thru the grading pens to the scale house where it is checked with the weight tickets so that after grading each man is credited with the number of head delivered by him.

2. *Grading.* Sheep and lambs, hogs and calves are graded according to weight, finish and quality. The stock of one farmer is mingled with a similar grade of the same kind of stock consigned by other farmers. Grading makes possible the selling of calves, lambs and hogs in lots of uniform grade and each farmer gets the same price for the same grade of stock. Cattle are not graded and mingled, as is the case with hogs and lambs, but are marked and sold separately for each individual consignor. This is due to the fact that cattle are much more difficult to grade and also because each farmer is apt to consider his steer or heifer superior to that of the other farmer and does not want

them sold together. It is also desirable to sell feeder cattle separately because many farmers want to buy only one or a few head.

From the receiving pens the lambs and hogs pass thru the grading pens and are sorted into lots according to weight, finish and quality. An experienced livestock man does the grading. He may be a member of the firm or a man from the outside hired to do the grading, the advantage of the latter being that the farmer generally feels more satisfied if the grading is done by a man outside of the firm.

The outline of grades which follows is, in general, representative of the systems of grading employed by these sales. The systems used by different sales differ somewhat in detail. For instance, a few of the larger sales have ten-pound intervals in the weight of fat hogs, while others employ twenty-pound intervals. The system used by a given organization also may be changed at times during the season to conform to changes in buyers' demands.

GRADES OF HOGS

Fat hogs	250 and over
Barrows and gilts	225–250
	210–225
	190–210
	170–190
	150–170
	130–150
Light feeders	130–150
Feeder pigs	Under 75
	75–100
	100–130
Sows—Slaughter	Light under 250
	Medium 250–300
	Heavy 300 up
Feeder and breeding	Under 175
	175–250
Piggy sows—All weights	
Sow with pigs.	
Stags	All weights
Boars	All weights
Culls and cripples	All weights

GRADES OF LAMBS AND SHEEP

		Tops	Medium	Common
	Ewes and wethers	85–over		
		80–85		
		75–80		
Market Lambs		70–75	Same wt.	Same wt.
		65–70		
		60–65		
	Ewes and Bucks	85–over		
		80–85		
		75–80		
		70–75	Same wt.	Same wt.
		65–70		
		60–65		

Feeder lambs—Light unfinished lambs. All weights
Culls and cripples All weights

		Tops	Medium	Common
	Ewes and wethers	Heavy	Heavy	Heavy
Fat sheep		Medium	Medium	Medium
		Light	Light	Light
	Bucks	All weights		

Feeder sheep Yearling All weights
Cull sheep
Sheep for breeding Ewes, Rams or bucks } Grades depend on age and soundness.

GRADES OF CALVES

Weight	Quality
200–225 pounds	Firsts—Seconds—Thirds
150–200 pounds	Firsts—Seconds—Thirds
110–150 pounds	Firsts—Seconds—Thirds
Under 110 pounds	Firsts—Seconds—Thirds

Grading is an important part of the marketing process for livestock. While the grading seems to be well done there is undoubtedly room for improvement. One of the difficulties is that the livestock often is delivered late and the grading is done rapidly. Frequently graders are almost idle during the early morning hours and greatly rushed just before noon of the sale

day. Farmers can facilitate matters by delivering their livestock earlier in the morning of the sale day.

3. *Weighing.* When the livestock of a consignor has been graded, each lot is driven on the scales and weighed. A scale ticket for each lot is made out, this ticket giving the name and address of the consignor, kind of livestock, number of head, weight, and number of the pen in which the stock is placed. In case of cattle the mark is also put on the sale ticket. The consignor receives a duplicate of the scale ticket which gives him a record of the livestock he delivered.

4. *Selling.* The livestock is sold by auction during the afternoon of the sale day. Before the sale buyers may obtain lists giving a description of the livestock in various pens. This gives them the information which they need in order to place bids. The auction is conducted by an auctioneer hired by the sales company and is held in the sales pavilion of the stockyards. Lambs and cattle are driven into the sales ring and sold, but hogs remain in the pens and are sold by pen numbers, a description of the number of head and weight being given at the time of sale. Immediately after each individual sale the clerk makes a record of the price and the name of the buyer, and this record goes at once to the office where it is properly recorded.

5. *Loading.* The sales organization performs the service of loading the livestock on cars and billing it out for the buyer. The yards are located near railroad tracks, thus enabling the loading of the stock on the car directly from the yards. In loading it is necessary to count and check the livestock so the buyer will get just what he purchased. Sometimes the buyer will bill the car himself but the sales company usually performs this service for him, following his directions.

6. *Settlement with Buyers and Consignors.* The sales are conducted on a cash basis. The buyer usually makes settlement the day of the sale or the day following. He may pay the sales company from his own funds of may instruct the company to draw a draft on the firm he buys for. Occasionally the organizations will extend credit to a buyer with a good business rating, but this practice is not common as it requires that the organization have a large amount of working capital.

Checks to farmers who consigned livestock are mailed by most organizations the second day after the sale. There is considerable clerical work that must be done, and it usually requires at least one day before all checks can be made out. The price the farmer receives is the price the livestock sold for, less charges. Commission fees and other charges, if any, are deducted from the proceeds of the sale and a check made out for the balance. Included with the check is a sale bill giving a complete statement of the consignor's account.

Accounting Methods

The accounts used are relatively simple but must be sufficiently complete to enable an accurate check to be made of all livestock consigned to the sale. Accounts kept vary somewhat among organizations. The representative forms given below are an attempt to combine the good points of a number of systems, but are largely based on a system now used by one of the successful sales companies.

.....Livestock Sales Co.

Name .....

Address .....

Kind	Total Head	Head	Pen

Fig. 6—Receiving Card.

When a producer delivers livestock to the receiving pen a receiving card (Fig. 6) is filled out. His name, address and the number of head of various kinds of livestock are entered on this card. The livestock is next graded, or marked in the case of cattle and other stock which is sold individually, and then weighed. A separate scale ticket (Fig. 7) is made out for each

.....Livestock Sales Co.

Name .....

Kind .....

Weight ..... Lbs.....

Head ..... Pen.....

Mark .....

Fig. 7—Scale Ticket. (Duplicate to consignor.)

lot. This ticket gives the name, kind and weight of livestock, number of head, pen to which it is assigned and the mark given, if any. Duplicates of the scale ticket are given to the consignor. Entries for the pen and head are made on the receiving ticket and in this way a check can be made to see that all head are accounted for. A pen ticket (Fig. 8) is made out at the scale house

Pen .....

Kind .....

Head .....

Mark .....

Name .....

Fig. 8—Pen Ticket.

for each lot, giving the pen number, and this ticket is given to the person who drives the livestock to the pen. He attaches the ticket to a hook provided for that purpose on the pen, and it may then be used for further reference, if necessary.

The clerk makes out a pen sheet (Fig. 9) for each pen. From the scale ticket he enters on this sheet the name of the producer whose livestock is placed in that pen, the kind, number of head and the weight.

Pen .....

Date..... Kind .....

Aver. Wt. .....

.....Livestock Sales Co.

Sold for	Mark	Kind	Head	Weight	Price	Amt.	Com.	Net	Buyer
Total									

Fig. 9—Pen Sheet.

The pen sheet also furnishes the information necessary for the buyers' information sheet (Fig. 10), which is furnished the

LIVESTOCK SALES CO.

Buyers Information

Kind	Pen	Head	Weight	Average	Remarks

Fig. 10—Buyers' Information Sheet.

buyer on request, and contains the information he needs in order to make intelligent bids. This information gives the number of the pen, the kind of livestock, number of head, the total weight and the average weight per head for each pen.

As soon as the livestock is sold in the auction ring the clerk with the auctioneer fills out a sale ticket (Fig. 11) for each sale

Pen ..... Kind.....

Head.....Price By lb. .....
By head.....

Mark .....

Buyer .....

Fig. 11—Sale Ticket.

made. This ticket gives the pen number, kind of livestock, number of head, the mark, name of buyer and the price paid. The sale ticket is immediately passed in to the clerk at the office, where the price and name of the buyer are entered on the corresponding pen sheet. The office clerk, using the figures of price and weight, calculates the total amount for each lot sold and deducts the commission to get the net amount due the consignor.

The pen sheet also contains the information necessary for filling out the buyer's bill (Fig. 12) and also the consignor's

LIVESTOCK SALES CO.

.....Kentucky

Date....., 192.....

Sold to .....

Address .....

Mark	Pen	Kind	Head	Weight	Price	Amount
					Total	

Fig. 12—Buyers' Bill. Duplicate retained by the company.

.....Livestock Sales Co.

....., Kentucky. Date....., 192....

Sold for .....

Address.....

Kind	Pen	Mark	Weight	Price	Amt.	Com.	Net
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....	.....
Other charges deducted							.....
Detach check for payment ..... Net Total....							.....

.....Livestock Sales Co. No.....

....., Ky. ....., 192....

Pay to the order of..... $.....

..... Dollars 100

To First National Bank .....Livestock Sales Co.

....., Kentucky.

By.....

Fig. 13—Sale bill with check attached. Duplicate retained by the company.

statement and check (Fig. 13). Duplicates of buyer's bills and sale bills are kept in files at the office for reference.

Sales organizations keep a set of single entry or otherwise a simple set of double entry accounts. No attempt will be made here to give an analysis of the records kept. Every auction sale is balanced. The amount due from buyers should balance with the amount due consignors plus commission and other charges.

INCOME OF SALES ORGANIZATIONS

The income of a livestock sales organization consists largely of the earnings from commissions charged on livestock which it sells. The rates are fairly uniform among all organizations, the following rates being representative:

Sheep and lambs	20 cents per head
Hogs	20 cents per head
Calves	50 cents per head

Cattle	50 cents per head
Boars	50 cents per head
Rams	50 cents per head
Bulls	$1.00 per head
Cow and calf	1.00
Sow and pigs	1.00
Horses and mules	2.00

Table 5 is a report of income from commissions for six organizations for the year, October 1, 1924, to October 1, 1925. The average gross income per organization is $18,429.98 for the year, or $369.83 for each sale. Of this income 38.05% is from commissions on sheep and lambs, 22.29% from hogs and 39.66% from cattle and calves. Over 46 per cent of the income is from receipts during the three months of June, July and August, which is due to the fact that most of the lambs are marketed during those months. Table 5 indicates that in June, July and August 61%, 65% and 54%, respectively, of the commissions received were from sheep and lambs.

The income from hogs is highest during the months of October and November, 29.8 per cent of the yearly commissions on hogs being received during these two months. The income from cattle and calves is more uniform thruout the year than that from hogs and lambs. The greatest income from cattle and calves, however, is during May, June, July and August, when there is a heavy run of calves, and during October, when the cattle run is heaviest.

Since commission charges are on a per head basis the income from various classes of livestock varies directly with the number of animals sold. Fig. 14 illustrates graphically the average income per organization by months from various kinds of livestock. This figure is very similar to Fig. 3, giving the total receipts of livestock except that cattle and calves are relatively more important in the figure on income than in the figure on receipts. This is due to the fact that commission charges are 50 cents on cattle and calves and 20 cents on hogs and lambs.

TABLE 5

Income from Commissions on Livestock. Report of Six Livestock Sales Companies. Oct. 1, 1924, to Oct. 1, 1925

Month	No. of Sales	Sheep and Lambs		Hogs		Cattle and Calves		Total
		Dollars	Per Ct. of Month's Income	Dollars	Per Ct. of Month's Income	Dollars	Per Ct. of Month's Income	
October	29	$2,065.40	19 06	$4,100.60	37.87	$4,655.50	43.07	$10,831.50
November	24	626.60	8.53	3,229.60	43.97	3,489.00	47.50	7,345.20
December	24	244.40	5.10	2,108.80	44.02	2,437.00	50.88	4,790.20
January	25	253.80	8.73	1,076.40	36.03	1,577.00	54.24	2,907.20
February	20	128.20	4.10	855.00	26.80	2,207.50	69.19	3,190.70
March	21	193.60	4.68	1,147.80	27.74	2,795.50	67.58	4,136.90
April	27	641.20	9.80	1,951.60	29.84	3,948.00	60.36	6,540.80
May	25	2,634.20	27.48	2,488.60	25.97	4,461.00	46.55	9,583.80
June	25	9,717.20	61.64	1,724.00	10.93	4,323.50	27.43	15,764.70
July	29	12,419.60	65.06	1,630.60	8.54	5,039.50	26.40	19,089.70
August	25	8,856.40	54.80	2,198.00	13.60	5,107.50	31.60	16,160.90
September	25	4,300.80	42.01	2,135.00	20.85	3,802.50	37.14	10,238.30
Total	299	$42,020.40	38.05	$24,646.00	22.29	$43,853.50	39.66	$110,579.90
Ave. per sale		$140.74		$82.43		$146.67		$369.83
Ave. per Co.	49.8	$7,013.40		$4,107.66		$7,308.91		$18,429.98

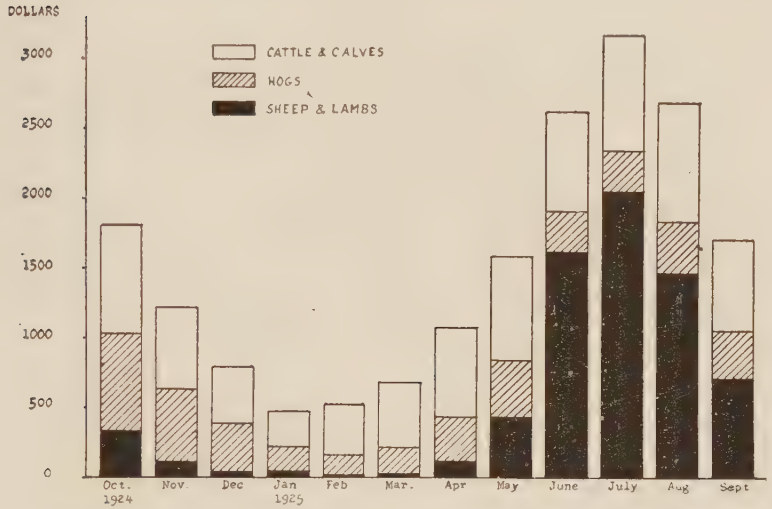

Fig. 14. Monthly Income from Commissions. Average of Six Organizations.

The income of sales organizations is very seasonal. In the months of December, January, February and March the receipts from commissions are very low due to the small amount of livestock being marketed at that time. Weather conditions also are unfavorable to the holding of auction sales during those months. Many sales during the winter months do not pay expenses, which accounts for the fact that some organizations do not operate in winter.

Table 6 gives figures showing the seasonal nature of the income of livestock sales organizations. These figures are the average per organization for the year, October 1, 1924, to October 1, 1925. Using these as a basis it is apparent that by far the largest part of the income is received during the six months, May to October, inclusive. For that year, 73.85% of all commissions for the year were received during this period.

EXPENSES OF OPERATION

The cost records of livestock sales organizations are in such form that it is impossible to make a detailed cost study from them. However, records of expenses were obtained from five organizations and a general analysis of costs can be made from these.

TABLE 6

Income from Commissions on Livestock. Average of Six Organizations

	Income—Dollars	Per Cent of Year's Total
January, 1925	$484.51	2.63
February	531.78	2.89
March	689.48	3.74
April	1,090.14	5.92
May	1,597.30	8.67
June	2,627.45	14.25
July	3,181.62	17.26
August	2,693.49	14.61
September	1,706.39	9.26
October, 1924	1,805.25	9.80
November	1,224.20	6.64
December	798.37	4.33
Total	$18,429.98	100.00

In making a comparison of costs of operation for different organizations one encounters difficulty in finding a unit upon which to base costs. A comparison of total costs does not mean much because the costs obtained are for periods of different length. A fair comparison of cost per head is difficult to make because the proportion of kinds of livestock is different in each organization and costs of handling vary. To illustrate, an organization where sheep and lambs constitute fifty per cent and cattle thirty per cent of all livestock would be expected to have a lower cost per head than an organization where the volume consists of forty per cent sheep and lambs and forty per cent cattle. In selling at auction it frequently requires just as much time to sell one cow as to sell a lot of 200 lambs. Lambs also require much less yard space per head than cattle. However, in spite of this difficulty in making a unit cost comparison, the best unit available appears to be the cost per head of all livestock handled. A statement of the percentages of kinds of livestock handled by the five organizations is given in Table 7.

TABLE 7
Kinds of Livestock Handled—Five Organizations

No. of Organization	Total Head	Per Cent Sheep and Lambs	Per Cent Hogs	Per Cent Cattle and Calves
I	17,163	42.5	25.6	31.9
II	31,552	50.3	31.7	18.0
III	35,246	69.0	18.0	13.0
IV	39,481	47.7	33.8	18.5
V	93,318	47.5	27.7	24.8
Average	43,357	51.4	27.3	21.3

TABLE 8
Cost of Operation of Five Organizations

	I	II	III	IV	V	Average
Labor and salaries	$2,839.22	$4,559.15	$5,946.95	$4,552.00	$11,632.31	$5,905.93
Yard costs	2,124.53	1,154.06	735.66	1,319.39	3,151.07	1,696.94
Office costs	522.56	262.33	889.07	267.03	789.53	546.10
Losses on livestock	376.98	288.33	19.22	753.23	1,371.21	561.79
Other costs	20.55	172.27	122.07	289.35	809.91	282.83
Total costs	$5,883.84	$6,436.14	$7,712.97	$7,181.00	$17,754.03	$8,993.59
No. of sales	30	22	48	43	39	36.4
Ave. cost per sale	$196.12	$292.55	$160.68	$167.00	$455.23	$254.31
Total head livestock	17,163	31,552	35,246	39,481	93,318	43,357
Cost per head	$0.343	$0.204	$0.218	$0.182	$0.190	$0.227

Table 8 gives the cost figures of five organizations. In the average cost per organization, labor and salaries constitute 65.7% of all costs, yard costs 18.9%, office expense 6.1%, losses on livestock 6.2%, and other costs 3.1%. This is shown graphically in Fig. 15.

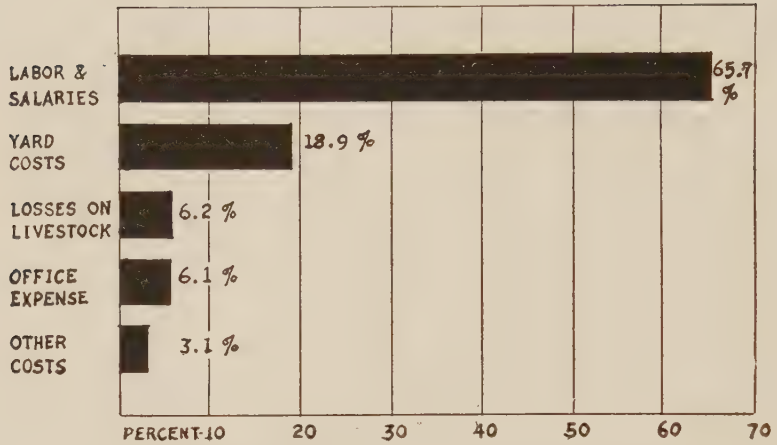

Fig. 15. Distribution of Costs for Five Sales Organizations.

Some explanation of what is included in the various costs is necessary.

1. *Labor and Salaries.* Included in this item are manager's salary, yard man's salary, office salaries, auctioneer's fees, grader's salary and wages of all laborers working in the yards.

2. *Yard Cost.* This includes depreciation in yards and equipment, repairs to yards and equipment, taxes, insurance and interest figured at 6% on investment.

3. *Office Costs.* General upkeep of office, such as postage, stationery, market reports, telephone and telegraph, advertising and other office supplies are included in this item.

4. *Losses on Livestock.* Occasionally animals received as sound are crippled or die while in the hands of the sales organization. These losses must be borne by the organization. Errors in counting livestock may also result in losses, altho if the livestock is counted carefully when received and again when loaded on car these losses should be negligible.

5. *Other costs.* This includes minor items, unclassified supplies, legal fees, and miscellaneous expenses.

Table 8 indicates that cost per head of selling livestock by the sales organizations tends to decrease as volume increases.

The organization with the smallest volume had the highest cost per head, 34.3 cents, while the cost per head for the organization with the greatest volume was 19 cents per head. Ranged in order of volume of business the total costs per head for the five organizations were respectively, 34.3 cents, 20.4 cents, 21.8 cents, 18.2 cents and 19 cents. The organization with the next to the largest volume had the lowest cost, which can be explained largely by a very low labor cost per head. The organization with a large volume can usually make more efficient use of both labor and yards and, therefore, operate at a lower cost per head.

TABLE 9
Labor and Yard Costs

No. of Organization	Total Head	Labor and Salaries		Yard Costs	
		Total	Per Head	Total	Per Head
I	17,163	$2,839.22	$0.165	$2,124.53	$0.123
II	31,552	4,559.15	.144	1,154 00	.036
III	35,246	5,946.95	.168	735.66	.021
IV	39,481	4,552.00	.115	1,319.39	.033
V	93,318	11,632.31	.124	3,151.07	.033
Average			.143		.049

Table 9 gives the labor and yard costs for each of the five organizations. Labor costs ranged from 16.5 cents per head in organization I to 11.5 cents for organization IV, the average being 14.3 cents. The highest labor cost per head was in the case of the organization with the least volume and the two organizations having greatest volume also had the lowest costs. The manager's and yard superintendent's salaries do not increase in proportion to increases in volume. There is a certain minimum salary which a manager must be paid and a yard with a small volume must pay that amount. Consequently the costs per head for manager's salary are greater in the case of the organization with a small volume of business. Auctioneer's fees are on a per sale basis, usually $10.00 for each sale, and his fees per head will be lower if the volume is large. The same is true in the case of

graders, who are paid by the day. For example, an expert lamb grader who has been employed by a number of organizations receives $25 per day. The costs per head for his services will be lower for the organization with large volume. There is also less idle time among yard labor if the volume is large. All these factors contribute to lower labor costs per head in organizations having a large volume of business.

Yard costs ranged from 2.1 cents per head to 12.3 cents with an average cost for five organizations of 4.9 cents. Organization I had a large investment in yards and equipment and a small volume of business, and consequently the yard costs per head were very high, being 12.3 cents. Organization III, on the other hand, had a yard cost of only 2.1 cents. This organization had only about one-sixth the investment in yards and equipment of No. I, but handled twice as many head of livestock. Furthermore, No. I had 42.5% sheep and lambs, while sheep and lambs represented 69% of the volume of No. III. Sheep and lambs require less yard space than hogs or cattle, which accounts for the fact that a small yard could accommodate a fairly large number of head.

Making efficient use of yards is an important problem confronting the livestock sales organizations. Auction sales are held only one day a week, which means that the yards may stand practically idle the rest of the week. It is true that other uses are made at times of the yards, such as housing and feeding livestock for farmers, but the income from these sources for most companies is relatively small. The yards are there, and with sufficient livestock they could accommodate five sales a week. As it is, however, one auction sale must bear all the overhead expense, and commission rates must be high enough to cover all expenses. This is the reason why it is usually an unfortunate development to have two sales organizations in one town. It is true there may be cases where competition is a good thing, but one organization operating one yard could hold two sales a week and operate at a lower cost per head. One organization can possibly operate efficiently, but splitting the business between two companies and maintaining two yards may result in two inefficient organizations.

Losses on livestock averaged 1.2 cents per head. These losses are usually higher on sale days when the volume is large and the capacity of the yards is taxed to the limit, resulting in overcrowded pens. During hot weather hogs especially should not be accepted by the sales company until they are cooled off. This will reduce losses from deaths among hogs due to overheating.

Office costs averaged 1.3 cents per head. Postage, stationery and advertising constitute most of the general office expense. Advertising in newspapers or by bills is necessary and helps to increase the number of livestock sold by the sales. Some organizations when mailing checks to farmers enclose a printed statement giving the number of head and prices for the sale, and the date of the next sale. This form of advertising gives the farmer more confidence in the organization and also furnishes him with useful market information.

NET PROFITS

The five organizations for which expense records were obtained all showed a net profit in operation. The net profit represents the difference between income from all sources and the expenses as listed in Table 8. The average profits for each organization range from $17.68 to $201.66 per sale, and the average of all companies is $80.88 per sale. On the basis of profits per head the range is 2.4 cents to 13.3, the average being 6.7 cents. As might be expected, the company with greatest volume of business has the largest total profit per sale. This company does not have the largest net profit per head, but its volume is so large that in total net profits it is far ahead of the other four organizations.

OUTLETS FOR LIVESTOCK

Livestock sold at the auction sales are purchased by four types of buyers, (1) the order buyer, (2) the local trader or speculator, (3) the farmer, (4) the local butcher. The order buyer, while he buys most of the livestock on order, may also buy some on his own account. Likewise the trader may occasionally have an order but buys practically all on his own account.

ORDER BUYERS

Order buyers buy on the order of some firm, usually a packing plant, and for that reason are frequently called packer buyers. The order buyer receives a flat sum per car for his services. Most of the order buyers operating in Central Kentucky represent eastern packers and buy fat lambs and hogs at the sales for shipment direct to the packers whom they represent. Occasionally these buyers will buy fat cattle on order, but since the run of fat cattle is light they are not an important factor in the purchase of cattle. It is estimated that the order buyer gets 60 per cent of the lambs, 70 per cent of the hogs, 50 per cent of the calves and 5 per cent of the cattle sold at the sales.

As a representative of the packer the order buyer is looking for carload lots of livestock which is of high quality and finish. It is the order buyer who usually bids in the top lambs and hogs. He is in a position to pay premium prices for the high-grade livestock and to handle the livestock at a relatively small margin as the shipment goes direct from the sales to the packer. Direct buying by packers thru their representatives is given as one of the reasons for seemingly favorable prices which farmers receive for the livestock sold by auction. Consequently the order buyer may be necessary to the success of the auction method and managers of sales generally agree that a successful sales organization must have sufficient volume of high grade lambs and hogs to attract the order buyer.

LOCAL TRADERS OR SPECULATORS

The local trader is also an important buyer at the auction sales. He buys on his own account and usually sells in the central market, assuming all risks and pocketing any profits made in the transaction. In times before the sales came into the territory the trader would buy direct from the farmers. Since the sales came into existence, however, the amount of livestock which the trader can buy direct is limited and he has, therefore, turned to the auction sales as a source for purchase of livestock. Where before he had to travel over a large territory and buy livestock from a number of producers, he now has the opportunity to buy carload lots of fairly uniform quality at the auction. As a re-

sult the trader should be able to handle the livestock on a smaller margin as the farmers and sales organizations perform the service of local assembling which he formerly did himself.

The traders, or speculators, as they are often called, are essential to furnish an outlet for the sales. Without buyers there could be no sales. It is estimated that these buyers purchase 35 per cent of the lambs, 20 per cent of the hogs, 40 per cent of the calves and 85 per cent of the cattle. They are the most important buyers of cattle, as most of the cattle consigned to the sales are butcher or feeder cattle which the order buyer usually does not have orders for.

FARMERS

A part of the feeder and breeding stock which is sold at the sales is purchased by local farmers who are in the market for stock of that kind. Pigs and shoats, light, unfinished lambs, feeder cattle and breeding stock are included in the purchases. The sales organizations furnish a source from which the local feeder can obtain the livestock which he needs.

LOCAL BUTCHERS OR PACKERS

The local butchers or small packers located within the territory buy some livestock at the auction sales, but the amount purchased by them is relatively small. Their purchases usually are confined to fat hogs, butcher cattle and veal calves.

MARKET DESTINATIONS

The markets to which the livestock sold at the sales is shipped depends upon the buyer. The order buyer usually ships to packers in eastern markets and the trader to the livestock market in Cincinnati, Ohio, where he sells thru commission firms.

A report was obtained from the Louisville and Nashville Railroad Company giving the percentage of shipments to various markets for the period, January 1, to July 1, 1925, from four points, Lexington, Paris, Winchester and Richmond. Six sales organizations are operating at these points and it is estimated that 90 per cent of all livestock shipped is sold thru the

sales. This report can be used as a basis for determining market destinations of livestock sold at the auction sales and the figures are given in Table 10. The figures given for "other points" represent shipments which are scattered among a number of cities, most of which are in the east.

TABLE 10

Market Destination of Livestock Shipped by L. & N. R. R. from Lexington, Paris, Winchester and Richmond. For January 1, to July 1, 1925, Per Cent of Total

	Cattle and Calves Per Cent	Lambs Per Cent	Hogs Per Cent
Cincinnati	50.28	44.00	27.27
Jersey City, N. J.	11.36	32.80	
Kentucky Points	18.80	3.60	9.75
Baltimore, Md.			17.88
Knoxville, Tenn.			23.17
Other Points	19.56	19.60	21.93

Cincinnati is the most important market for cattle and calves, receiving 50 per cent of the shipments. It is relatively more important as a market for cattle and if separate figures for cattle and calves could be obtained these figures would probably show that 75 per cent of cattle shipments went to Cincinnati. The cattle shipments to Jersey City are largely carloads of veal calves which have been bought by the order buyer. Shipments to other points are made up of cattle and calves. Feeder cattle is the important item in the shipments to Kentucky points.

For lambs, also, Cincinnati is the important market. Table 10 shows that 44 per cent of the lambs are sold in that market, Jersey City ranking second with 32.8 per cent. The speculators' purchases of lambs usually go to Cincinnati and the shipments to Jersey City are composed largely of purchases made by order buyers for the packers. "Other points" represent cities mostly in the East. Shipments to these points are made largely by order buyers. Only 3.6 per cent of lamb shipments went to Kentucky points.

Hog shipments are more evenly distributed between a number of markets. Cincinnati again is the most important market but receives only 27.27% of the shipments. Knoxville, Tennessee, is second, receiving 23.17 per cent. Baltimore, Maryland, is also an important market, 17.88% of the hog shipments going to that point. "Other points" get 21.93% and Kentucky points 9.75%. Cincinnati shipments represent purchases by the speculator and other shipments are largely from hogs bought on order.

PRICES

The principal measure of the success of any livestock sales organization is the price which the producer receives for the livestock sold at the sales. The man who delivers livestock to a sale has a right to expect prices which are in line with market conditions and whether or not he will continue to sell thru the sale will depend largely upon the extent to which the prices at sales conform to market conditions.

If the farmer is to get the market price it is absolutely essential that there be free competition between buyers. Generally speaking, it can be said that a state of keen competition has prevailed among buyers at the sales. However, managers of the sales organizations generally maintain that it is necessary that the organization or some member of the firm be in a position to bid on, and buy livestock if necessary to keep the prices in line with the market conditions. The manager of the sales usually makes the opening bid on all livestock sold.

The price at which any livestock sells for at an auction sale is established by bids from competing buyers, the sale price being the highest bid. The buyer bases his bid on prices in the central market where he expects to sell, less the margin necessary to ship and sell the livestock in that market. Consequently the prices established at the sales tend to follow central market prices but stay in line at a margin below the market. The order buyer also takes into account any instruction on prices which he has received from the packers.

In order to determine, if possible, the extent to which local sales stay in line with central markets, price data were ob-

tained from the sales for the months of June, July, August and September for two years, 1924 and 1925, and an analysis was made of these prices and the central market prices for the same period.

To make a fair comparison between prices at local sales and the central market it is essential that the prices compared apply to livestock of similar grade. Since grades differ in the two markets these price comparisons are very difficult to make. Cattle vary so greatly in quality as to make comparisons impossible. Hogs vary less in quality and finish. The top hog at a local sale generally is of nearly the same grade as the top hog at the Cincinnati market. In lambs there is again a great range in quality and finish, and the attempt to compare prices is therefore confined to a comparison of top prices in local sales with top prices in Jersey City. Since Kentucky lambs often top that market it is reasonable to assume that over a period the grade of top lambs at the sales will correspond fairly closely to the grade of top lambs at Jersey City.

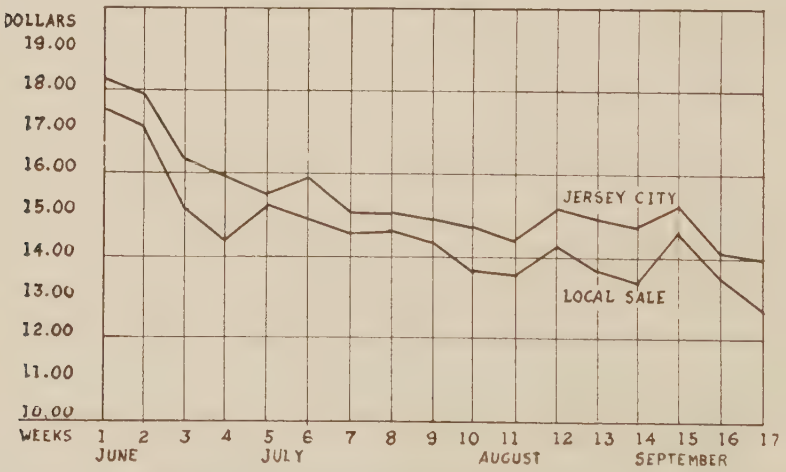

Fig. 16. Average Weekly Top Prices of Lambs at Jersey City and at Five Local Sales for 17 Weeks, June 2 to September 27, 1924.

Figures 16 and 17 show the average weekly top prices of lambs at Jersey City and at five local sales during the months of June, July, August and September, for 1924 and 1925, re-

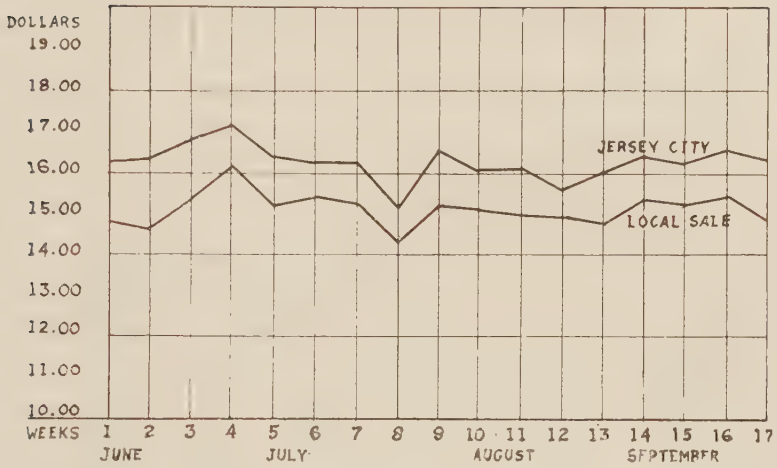

Fig. 17. Average Weekly Top Prices of Lambs at Jersey City and at Five Local Sales for 17 Weeks, June 1 to September 26, 1925.

spectively. The Jersey City price as indicated is the average of daily top lamb prices for each week. The local sale price is the average top price for lambs at five different local sales held on different days, these days corresponding to the days used in getting the average Jersey City price. The figures show that prices of lambs at local sales tend to follow the Jersey City price. During 1925 prices stayed more closely in line than in 1924. This can be explained by a greater variation in quality of lambs in 1924, and also by the fact that some of the local markets were operating for the first season and were not as well established as in 1925.

Figures 18 and 19 are curves showing the relation between hog prices at local sales and prices in the Cincinnati livestock market. The Cincinnati price is the weekly average of top hog prices and the local price the average of top at six local sales. The local sales used all hold sales on different days, thus giving a price for each day and an average price for days corresponding to those considered in determining the average for Cincinnati. Hog prices at local sales follow closely the Cincinnati prices at a relatively small margin below that market. Hogs follow Cincinnati prices more uniformly than lambs follow Jersey City prices, due largely to less difference in quality.

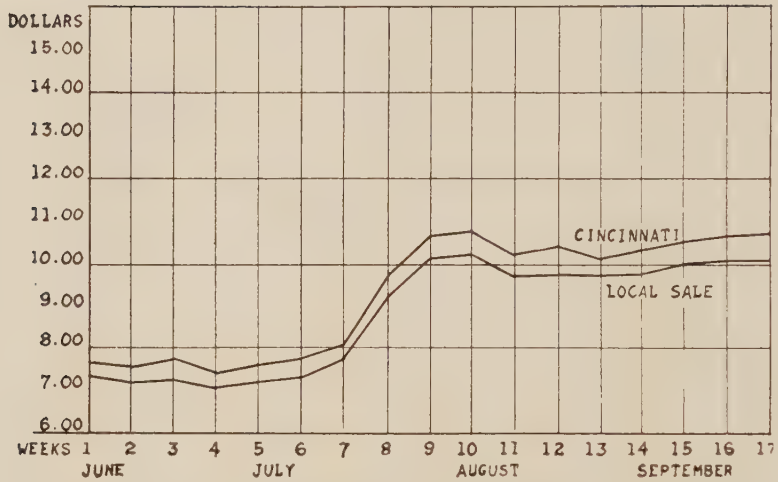

Fig. 18. Average Weekly Top Prices of Fat Hogs at Cincinnati and at Six Local Sales for 17 Weeks, June 2 to September 27, 1924.

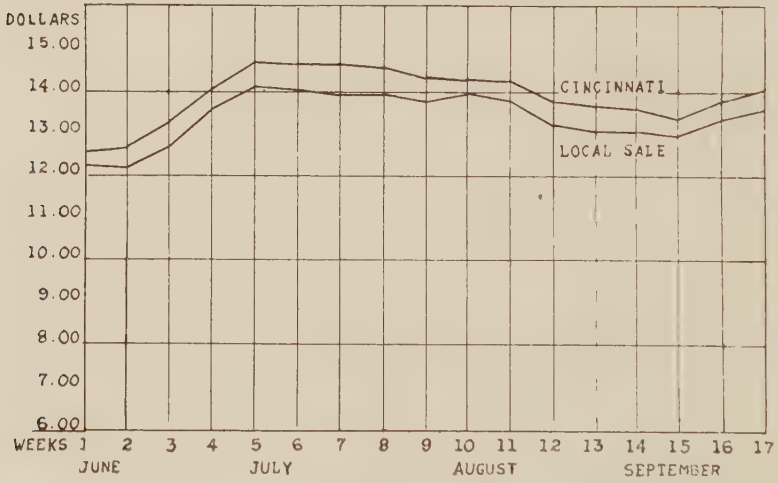

Fig. 19. Average Weekly Top Prices of Fat Hogs at Cincinnati and at Six Local Sales for 17 Weeks, June 1 to September 26, 1925.

From the above price data it is possible to work out price margins on top grades of hogs and lambs between central markets and the local sales. These figures on margins will not be absolutely accurate on account of differences in the top quality

for the same day at the local and central markets, but by taking a weekly average price these differences will be ironed out to some extent and the margins will be fairly representative of actual conditions.

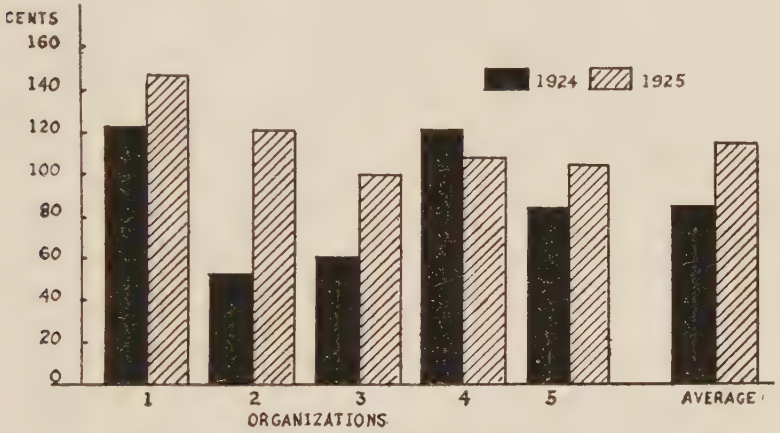

Fig. 20. Margins in Lamb Prices—Difference Between Top Prices at Local Sales and Top Prices in Jersey City Expressed as Average of Sale Days, During Months of June, July, August and September, 1924 and 1925.

Figure 20 shows graphically the price margins between Jersey City top prices for lambs and top prices at five local sales organizations. These figures are averages for all sales for each organization during the months of June, July, August and September, 1924, and also for 1925. The range in margins in 1924 on lambs was from 52 cents for organization number 2 to $1.24 for organization number 1. The average margin for all organizations was 86.3 cents. For the year 1925 the range was from $1.00 for organization number 3 to $1.47 for organization number 1, with an average of $1.16. There was less range between organizations in the case of margins in hog prices, as shown in Figure 21. In 1924 the range in margins between local sales and Cincinnati was from 43 cents for organization number 3 to 58 cents for organization number 6. The average margin was 46.3 cents. In 1925 organization number 3 had a margin of 45 cents, organization number 4 a margin of 52 cents. The average margin for all six organizations in 1925 was 49.5 cents.

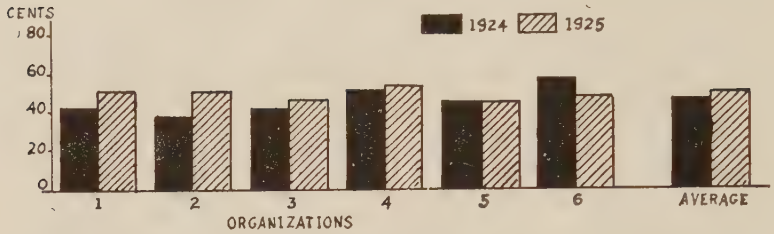

Fig. 21. Margins in Hog Prices—Difference Between Top Prices at Local Sales and Top Prices in Cincinnati Expressed as an Average of Sale Days, During Months of June, July, August and September, 1924 and 1925.

The range in margins between different organizations is due largely to differences in grades and differences in state of competition among buyers.

Grade is an important factor in the price which the farmer receives for his livestock. Livestock is sold on a grade basis and the stock of higher quality and finish sells for higher prices. For example, the average price of top ewe and wether lambs for two organizations, in 1925, was $15.16, and the tops of ewe and buck lambs $14.34, a difference of 82 cents. Ordinarily the price margin between local and central markets is greater on lower grade livestock than on livestock of top grade.

A discussion of price would not be complete without some reference to the economic importance of the order buyer. As previously mentioned the order buyer is an important factor in the success of the sales and one of the main causes for relatively favorable prices received for livestock. Apparently the order buyer is in a position to pay premium prices for quality livestock, due to the fact that there are some economies in direct buying by packers. This brings up the whole question of economic consequences of direct buying, but facts are not available to enable any final conclusions to be drawn regarding it.

There are arguments on both sides of this question. By buying in the country certain charges are eliminated, including some yardage costs, feed costs and commissions. There is also probably less shrinkage on livestock that goes direct to the packer. Any system which leads to economy in marketing has merit. Direct buying by the packer may also have a tendency

to stabilize the supply of livestock in the markets and incidentally tend to stabilize prices. On the other side is the argument advanced by many producers and also by central market interests that country buying reduces competition in the central market and reduces the prices paid the producer for livestock. In other words, buying in the country enables the packer to be a "bear" in the central market. For example, a buyer for a packer can go into the Cincinnati market and tell the commission man that his firm purchased so many decks of lambs at sales in Kentucky and so create a bearish influence in that market. However, this point should be borne in mind that if the packer buys at the sales to reduce his demand for lambs in the central market, he also at the same time reduces the supply of lambs at that market. Therefore one influence may counterbalance the other and the effect on prices will be small. Among the advantages to the packer of buying in the central market may be mentioned the larger volume of stock to select from and the fact that the stock has undergone the shrinkage in transit. One thing is certain, that the packer will buy in the market where it is to his greatest advantage to buy. If the local sales expect the packer buyer to be an important bidder, they must furnish the quality and quantity of livestock which the packer wants.

Local markets, in the long run, must stay in line with market conditions. A situation which has existed at times at sales where keen competition has forced prices up to and even above central market prices, cannot prevail for any long period because buyers will lose money and eventually will be forced to buy in line with the market. If, due to agreements or to lack of competition among buyers, the prices are lower than the market warrants, the producer will soon discover this fact and will not consign his livestock. Sales companies, however, have a sales manager on the job who reserves the right to make bids. If this man is well acquainted with grades and prices of livestock he can see that the stock bring prevailing market prices. Furthermore, the sales are a public auction and the farmer who consigns his livestock can also bid on it.

The data obtained of prices for livestock at local sales are not sufficiently complete to allow many definite conclusions on prices to be made, but the general conclusion can be drawn that the prices at local sales stay in line with the central markets, following the central market prices within a relatively narrow margin.

ADVANTAGES OF LOCAL AUCTION SALES

1. The sales are of special advantage to the small livestock producer. The small farmer who has only a few head to sell has very little bargaining power and is usually more or less at the mercy of the livestock buyer. By selling at the auction sales he has the same advantage as the farmer who has a carload to sell. His stock sells for the same price as that of similar grade delivered by the larger producer.

2. The sales are an incentive to the producer to improve the quality of his livestock. The farmer attending the sale notices that the better quality stock bring higher prices and it furnishes an incentive for him to improve the breeding and feeding of his livestock to get the higher price. This is one of the most permanent advantages to be derived from the sale.

3. As a source of feeder and breeding stock the sales are also an advantage to the livestock producer. The farmer who is in the market for a few head of this class of livestock generally can secure what he wants at the local sales.

4. Judging from the experience of the sales organizations it seems that they are an economical method for the local assembling of livestock. The buyer has the opportunity to buy livestock which enables him to get a carload of uniform quality. His expenses in buying and assembling are considerably less than where he travels from farm to farm to buy the stock. The sales company also performs the service of loading the stock on cars For this reason he can handle the livestock on a smaller margin.

DISADVANTAGES TO BE GUARDED AGAINST*

Certain possible evils are inherent in the auction method of selling livestock which need to be guarded against. There is no direct evidence to show that evil practices are followed by the sales organizations and they are mentioned merely to give the people interested a chance to guard against their development.

1. Where grading of livestock is done by members of a sales organization there is a chance to perform the grading for personal advantage. For example, a member of the firm has purchased a bunch of lambs in the country and plans to sell them at the auction sale. In grading the lambs it might be possible for him to include with his lambs those of other producers which are of superior quality. By so doing he will raise the quality of his lot of lambs and the price which they bring, at the expense of other producers. A somewhat similar situation might arise in instances where a hired grader may have a financial interest in the stock sold.

2. There is danger of manipulation of prices by artificial bidding on the part of agents of owners of livestock. A ring of traders may bid up the price to take advantage of farmers or other buyers who are not posted as to the market. An example of this would be a case where traders owned the stock and have agreed among themselves to bid it up with the expectation of selling above the market value. This could happen especially in case of feeder stock which a farmer was interested in buying. To the farmer it would appear that there was active competition for the stock and if he was not well posted on market values he would have to pay too high a price for the stock. This practice would soon result in the farmer losing confidence in the local sales as a source of feeder stock. The experienced buyer could not be hurt much by such a practice because he would know market values.

*The local stockyards are not under public regulation at the present time. They can be legally interpreted as coming under the jurisdiction of the Packers and Stockyards Act of 1921. This act provides for government supervision of stockyards having a pen area of 20,000 or more sq. ft. Most local stockyards have a pen area greater than 20,000 sq. ft. but because they are relatively small yards and are not continuous markets, they have not been placed under the supervision of the Stockyards and Packers Administration.

3. Where there are relatively few buyers it may be possible for the buyers to form agreements regarding their purchases. If agreements of this kind should be made the price usually would be low to give the buyer a larger margin of profit, to the disadvantage of the producer. Free competition among buyers is absolutely essential.

4. When an auction sale is started the territory, so far as the sale of livestock is concerned, is divided between private sale and the auction sale. Many buyers would rather buy privately and there are at the present time at some points evidences of buyers meeting farmers on their way to the auction and attempting to buy the livestock privately. This divides the territory, reduces the volume at the auction and ultimately may go so far as to make the auction a sale of "left overs." This practice causes dissatisfaction among both buyers and producers and is harmful to the auction company.

FUNDAMENTALS FOR SUCCESS

The following are important factors which determine the success of a livestock sales organization:

1. *Adaptability of Auction Method.* If the auction method of selling is to be successful the commodity must be adaptable to grading and standardization. The various kinds of livestock differ as to their adaptability to grading and standardization. Lambs, hogs and veal calves can be graded and sold in lots of uniform grade at a relatively low cost, and are, therefore, adapted to sale by auction. Cattle cannot be graded as readily and must be sold separately, at a relatively high cost. For this reason cattle are not adapted to the auction method of sale unless some means be devised to grade and sell them in lots. Lambs, hogs and veal calves contribute to the success of the sale, but cattle are of secondary importance.

2. *Economical Operation.* Efficient use of labor and yards is necessary to enable the organization to sell livestock at a low rate of commission. High commission rates increase the cost of marketing livestock and are a drawback to the success of the auction method for selling livestock.

3. *Volume of Business.* An organization must have sufficient volume of business to attract buyers. The larger the volume of livestock sold the greater will be the number of buyers who will compete at the sales. Large volume also means greater efficiency in operation.

4. *Grade of Livestock.* The higher the grade of livestock sold, the more successful the sale will be from the standpoint of both buyer and producer. The buyer, especially the order buyer, wants high grade livestock, and the producer will be more satisfied with prices received.

5. *Careful Weighing and Grading.* Weighing of livestock must be done accurately in fairness to both producer and buyer. Grading must be in line with market demands and must be carefully performed by experienced livestock men who understand grades.

6. *Competition Among Buyers.* There must be keen competition among buyers if the livestock is to bring prices in line with market conditions. The sales organization must be in a position to bid on livestock to prevent agreements between buyers.

7. *Location.* It is generally agreed that the sales must be held at points which have proper railroad facilities for transportation of livestock to markets. Buyers like to have livestock loaded in cars as soon as possible following the sale. Sales at towns off the railroad would probably not be successful because of the adverse feeling on the part of the buyers towards trucking livestock to the railroad after the sale. Sales located within trucking distance of a central market cannot expect to succeed, due to the competition of that market.

8. *Local Situation Must be Studied.* Before starting a sales organization it is necessary to study carefully the local conditions in order to determine the possibilities for success. In this connection it is well to remember that the success of the auction sales is built around the sale of lambs and hogs, especially lambs. Kentucky produces high-quality lambs and the auction sales have been successful due largely to the fact that they have gotten buyers together to bid on well-graded lots of these lambs.

SUGGESTIONS FOR IMPROVEMENT

1. An effort should be made on the part of farmers to improve the quality of the livestock sold at the sales. This will help the sales to attract order buyers and will also mean higher prices for livestock.

2. There should be more careful grading of hogs and lambs. Producers can assist in this connection by making deliveries earlier in the morning of the sale day. This will give the graders more time and greater care can be exercised in the grading process. Sales organizations should employ only experienced graders and show no personal favoritism.

3. Sales should not be organized unless there is an assurance of a sufficient volume of business for economical operation and to attract buyers. A few successful sales within the territory will be of more benefit to the producer than a large number of inefficient organizations.

4. The practice of traders in meeting farmers on the way to the sale for the purpose of making a private deal has a bad influence on local marketing conditions. It leads to dissatisfaction on the part of both buyers and producers. This practice should be discouraged.

5. Organizations should attempt to place their business on an efficient basis and keep commission rates as low as possible. Low commission rates are essential to the success of the auction method.

6. Manipulation of prices by bidding on the part of owners of livestock or their agents should be guarded against.